The Public Schools
Finance Board

Annual Report
The Year Ending June 30, 2009

Manitoba

MINISTER
OF EDUCATION

Room 168
Legislative Building
Winnipeg, Manitoba, Canada
R3C 0V8

His Honour the Honourable Philip S. Lee, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

Your Honour:

I present herewith the annual report of the Public Schools Finance Board for the fiscal year ending June 30, 2009.

Respectfully submitted,

Nancy Allan

Manitoba

The Public Schools Finance Board
506 -1181 Portage Avenue, Winnipeg, Manitoba R3G 0T3
T 204-945-0205 F 204-948-2001

December 17, 2009

Honourable Nancy Allan
Minister of Education
168 Legislative Building
450 Broadway
Winnipeg MB R3C 0V8

Dear Minister:

Pursuant to Section 13 of *The Public Schools Finance Board Act*, on behalf of The Public Schools Finance Board, I have the honour of submitting the attached document for your review and consideration.

This annual report of The Public Schools Finance Board is for a twelve-month period ending June 30, 2009.

Respectfully submitted,

Gerald Farthing
Chair
The Public Schools Finance Board

PUBLIC SCHOOLS FINANCE BOARD

MANAGEMENT REPORT

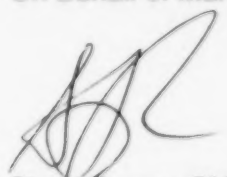
The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to November 20, 2009. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information. These internal controls also provide for the safeguarding of the Board's assets.

The responsibility of the Auditor General and her staff is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

The Board has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

On Behalf of Management



Steve Power, CMA

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors

We have audited the statement of financial position of The Public Schools Finance Board as at June 30, 2009, and the statements of revenue and expenditure and education support fund and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
November 20, 2009

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Financial Position

As at June 30, 2009

	2009	2008
	(in thousands of dollars)	
Assets		
Cash	$ 1,546	$ 1,369
Funds on deposit with the Province of Manitoba	355	45
Accounts receivable:		
Province of Manitoba	459	-
Municipal corporations - Education Support Levy	76,260	75,359
Other	1,206	294
	$ 79,826	**$ 77,067**
Liabilities and Education Support Fund		
Support payable to school divisions	$ 3,662	$ 4,467
Accrued interest	333	734
Funds advanced from the Province of Manitoba	-	411
Notes payable - Province of Manitoba (Note 8)	71,817	70,575
Other payables	469	169
	76,281	**76,356**
Education Support Fund	**3,545**	**711**
	$ 79,826	**$ 77,067**

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Revenue and Expenses and Education Support Fund for the year ended June 30, 2009

	2009	2008
	(in thousands of dollars)	
Revenue:		
Province of Manitoba - Funding of Schools Program	$ 803,989	$ 772,259
Municipal corporations - Education Support Levy	126,407	124,715
Miscellaneous Revenue	8	14
	930,404	**896,988**
Expenses:		
Operational support program (Note 9)	880,113	846,235
Capital support program (Note 10)	44,758	50,484
Administrative and other expenses (Note 11)	2,699	3,049
	927,570	**899,768**
Excess (deficiency) of revenue over expenses	**2,834**	**(2,780)**
Education Support Fund		
Balance, beginning of year	711	3,491
Balance, end of year	**$ 3,545**	**$ 711**

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Cash Flow

for the year ended June 30, 2009

	2009	2008
	(in thousands of dollars)	
Cash Flows from Operating Activities:		
Excess (deficiency) of revenue over expenses	$ 2,834	$ (2,780)
Changes in working capital:		
Accounts receivable:		
Province of Manitoba	(459)	7,536
Municipal Corporations - Education Support Levy	(901)	(1,325)
Other	(912)	62
Accounts payable:		
Support payable to school divisions	(805)	1,171
Accrued interest	(401)	(395)
Other	300	34
	(344)	4,303
Cash Flows from Financing Activities:		
Funds advanced from the Province of Manitoba	(411)	411
Notes payable - Province of Manitoba	1,242	(4,631)
	831	(4,220)
Net increase(decrease) in cash	487	83
Cash - beginning of year	1,414	1,331
Cash - end of year	**$ 1,901**	**$ 1,414**
Consisting of:		
Cash	$ 1,546	$ 1,369
Funds on deposit with the Province of Manitoba	355	45
	$ 1,901	**$ 1,414**

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2009

1. Nature of the Board's operations

The Public Schools Finance Board was established by the Public Schools Finance Board Act in April, 1967.

The Board is responsible for receiving all monies paid to the Education Support Fund for the financing of public schooling in Manitoba. It administers the capital support program including the determination and the disbursement of all capital grants provided to Manitoba school divisions under the Program. The Board also issues payments to Manitoba school divisions under the operational support program in amounts as determined by the Minister of Education.

The Public Schools Act and its Regulations govern the Education Support Fund.

2. Significant Accounting Policies

(a) The financial statements of the Board have been prepared in accordance with Canadian generally accepted accounting principles using accounting standards for not-for-profit organizations.

(b) Province of Manitoba Funding of Schools Program revenue is recognized as funds are drawn from Province of Manitoba appropriations. The Education Support Levy is assessed against municipal corporations on a calendar year basis. The Board applied 40% of the 2008 levy to the July to December period and 60% of the 2009 levy to the January to June period.

(c) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(d) CICA Accounting Handbook Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the statement of financial position and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Board is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and fund balances, respectively. All other financial instruments are subsequently measured at amortized cost.

Significant Accounting Policies (continued)

The Board's financial instruments consist of cash, funds on deposit with the Province of Manitoba, accounts receivable, support payable to school divisions, accrued interest, funds advanced from the Province of Manitoba, notes payable - Province of Manitoba, and other payables. The Board has designated its financial instruments as follows:

Cash and funds on deposit with the Province of Manitoba are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. These financial assets are recorded at a carrying value that approximates their fair value.

Accounts Receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Support payable to school divisions, accrued interest, funds advanced from the Province of Manitoba, notes payable - Province of Manitoba and other payables are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, support payable to school divisions, accrued interest, funds advanced from the Province of Manitoba, notes payable - Province of Manitoba and other payables approximates their carrying values due to their short-term maturity.

3. New Accounting Policies

Effective July 1, 2008 the Board adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation

Sections 3862 and 3863 are intended to enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. These sections were subsequently amended to eliminate the requirement for not-for-profit entities and rate-regulated enterprises to adopt these sections. These entities are permitted to continue to apply Section 3861 Financial Instruments - Disclosure and Presentation in place of Sections 3862 and 3863. An entity that does so must disclose this fact.

4. Future Accounting Policy Changes

The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs).

CICA 4400 Financial Statement Presentation by Not-For-Profit Organizations was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization (NFPO) to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make Section 1540 Cash Flow Statements applicable to NFPOs; and
- make Section 1751 Interim Financial Statements applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

Section 4460 *Disclosure of Related Party Transactions by Not-For-Profit Organizations* was amended to make the language in Section 4460 consistent with Section 3840 *Related Party Transactions*.

These new requirements are effective July 1, 2009 and will only require additional disclosure in the financial statements.

5. Capital management

The Board's objective when managing capital is to maintain sufficient capital to cover its responsibility for the capital program as defined under The Public Schools Act and The Public Schools Finance Board Act. The Board's capital is part of the Education Support Fund.

The Board manages its capital through an approved operating budget process.

The Board is not subject to externally imposed capital requirements. There were no changes in the Board's approach to capital management during the period.

6. Related party transactions

The Board is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Board enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

7. Pension costs and obligations

The Board's employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, the Board reflects no provision in the financial statements relating to its participation in the pension plan.

8. Notes Payable

Notes Payable to the Province of Manitoba are due on demand. The interest payable on the notes is the Royal Bank prime rate less 75 basis points.

9. Operational support program

	2009	2008
	(in thousands of dollars)	
Instructional Support	$ 322,001	$ 317,021
Sparsity Support	11,308	11,439
Curricular Materials	10,038	10,079
Information Technology	7,529	6,719
Library Services	15,392	15,454
Student Services Grant	61,331	61,395
Counselling and Guidance	13,719	13,774
Professional Development	8,177	8,131
Occupancy	84,833	83,934
Physical Education	2,074	-
Transportation	43,230	41,557
Board and Room	459	649
Special Needs	93,904	90,487
Senior Years Technology Education	8,786	8,608
English as an Additional Language	8,518	7,455
Aboriginal Academic Achievement	7,526	6,993
Heritage Language	214	226
French Language Programs / Instruction	6,115	6,002
Small Schools	1,845	1,835
Enrolment Change Support	6,610	9,374
Northern Allowance	4,561	4,674
Early Childhood Development Initiative	1,595	1,595
Early Literacy Intervention	6,186	6,174
Early Numeracy	828	828
Experiential Learning	536	544
Education for Sustainable Development	479	-
Equalization Support	146,047	128,039
Formula Guarantee	3,258	-
Adjustment of previous years' support to school divisions from estimated to actual	(158)	(122)
Amalgamated School Division Guarantee	366	665
Miscellaneous (Pipeline)	(88)	(88)
Vocational Equipment Replacement	2,200	2,200
Vocational Equipment Upgrade	694	594
	$ 880,113	$ 846,235

10. Capital support program

	2009	2008
	(in thousands of dollars)	
Capital grants:		
Major school construction	$ 38,597	$ 44,263
Minor capital projects	161	221
School buildings "D" support	6,000	6,000
Total capital support program	**$ 44,758**	**$ 50,484**

11. Administrative and other expenses

	2009	2008
	(in thousands of dollars)	
Board administration:		
Staff salaries	$ 1,214	$ 850
Service agreement	169	169
Professional services	61	78
Meetings and travel	39	22
Desktop management	90	42
Rent	69	42
Printing, stationery, postage and supplies	44	23
Telephone and fax	13	11
Professional Development	24	14
Computers, software and minor equipment	78	16
Total Board administration Expenses	**1,801**	**1,267**
Interest charges on notes payable to the Province of Manitoba	**898**	**1,782**
	$ 2,699	**$ 3,049**